

**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AGREED-UPON PROCEDURES ENGAGEMENT
OF THE
JOHNSON COUNTY
PROPERTY VALUATION ADMINISTRATOR**

**For The Period July 1, 2004
Through June 30, 2005**



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AUDITOR OF PUBLIC ACCOUNTS

Independent Accountant's Report

Robbie Rudolph, Secretary, Finance and Administration Cabinet
The Honorable Michael Stafford
Johnson County Property Valuation Administrator
Paintsville, Kentucky 41240

We have performed the procedures enumerated below, which were agreed to by the Johnson County Property Valuation Administrator (PVA), solely to assist you with the accountability for statutory contribution receipts and disbursements, including capital outlay disbursements, city government receipts, recordkeeping, and leases and contracts for the period July 1, 2004 through June 30, 2005. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Johnson County PVA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Procedure -

Determine if the PVA has a receipts ledger, a disbursements ledger, and reconciles bank records to books each month. Re-perform the year-end bank reconciliation (June 30, 2005), to determine if amounts are accurate.

Finding -

The PVA has a receipts ledger and a disbursements ledger. The PVA does prepare monthly bank reconciliations to ensure that all transactions have cleared the bank. However, the PVA does not agree the bank balance with the book balance. We recommend the PVA include, as part of his reconciliations, a comparison of the bank balance with the book balance. Any variances should be investigated and explained.

PVA's Response -

None



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2. Procedure -

Compare recorded city receipts to confirmed payment amounts obtained from city governments. Also review the list of city receipts for completeness.

Finding -

Recorded city receipts agreed to amounts confirmed from the city government. The listing of city receipts appeared complete.

PVA's Response -

None.

3. Procedure -

Compare the budgeted statutory contribution by fiscal court to the legally required amounts calculated by the Department of Revenue. Trace the fiscal court payments from the fiscal court statutory contribution budget account to the PVA's local bank account.

Finding -

The budgeted statutory contribution by the fiscal court agreed to the legally required amount calculated by the Department of Revenue. All fiscal court payments traced to the PVA's local bank account.

PVA's Response -

None.

4. Procedure -

Judgmentally select 15 disbursements from PVA records and agree amounts to cancelled checks, paid invoices or other supporting documentation. Determine if the expenditure is for official business. Review all credit card statements (if any) to determine if expenditures are for official business.

Finding -

Tested items agreed to cancelled checks and supporting documentation and were for official business. However, during our review of credit card statements we noted the PVA did not maintain original invoices. We were able to review the itemized statements and determined the expenditures appeared to be appropriate. We recommend the PVA maintain original invoices for all credit card purchases.

PVA's Response -

None.

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5. Procedure -

Compare capital outlay disbursements with cancelled checks, supporting documentation, and proper purchasing procedures. Verify the location of newly acquired assets. Determine if assets were added to the PVA's capital asset inventory list.

Finding -

There were no capital outlay expenditures during the 2004-2005 fiscal year.

PVA's Response -

None.

6. Procedure -

Scan vehicle lease agreements, personal service contracts, and professional service contracts for cost schedules and compare to actual payments. Determine if services received were appropriate, for official business, and properly authorized.

Finding -

With one exception, vehicle lease agreements, personal service contracts, and professional service contracts were adequately documented and payments agreed to cost schedules. With the same exception, services received were appropriate, for official business, and properly authorized. We did note one exception. The PVA is recording an encumbrance in his disbursements ledger. This encumbrance relates to funds the PVA is accumulating in anticipation of a vehicle purchase. The PVA is setting aside \$400 per month in anticipation of this purchase, thereby accumulating a cash surplus in his official bank account. The PVA should record only actual disbursements in his disbursements ledger. We recommend the PVA cease the practice of recording encumbrances in his disbursements ledger.

PVA's Response -

None.

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7. Procedure -

Compare PVA's final budget to actual expenditures to determine if PVA overspent in any account series.

Finding -

Overall, the PVA did not overspend his budget. However, he did overspend the 100 account series by \$4,003 and the 200 account series by \$4,849. We recommend the PVA obtain budget amendments as needed.

PVA's Response -

None.

8. Procedure -

Determine whether collateral is necessary for the PVA's funds. If necessary determine if the PVA was sufficiently collateralized for the year and if a collateral agreement exists.

Finding -

The PVA's funds did not exceed Federal Deposit Insurance Coverage, so that no collateral agreement was necessary.

PVA's Response -

None.

9. Procedure -

Determine whether timesheets are completed, maintained, and support hours worked.

Finding -

During our agreed-upon procedures engagement, we determined the employees of the PVA office did not prepare, sign, or submit timesheets. We recommend the PVA require all employees to maintain timesheets. These timesheets should be prepared and signed by the employee and reviewed, approved, and signed by their supervisor before being submitted for payroll processing.

PVA's Response -

None.

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We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on the receipts and disbursements, including capital outlay disbursements, city government receipts, recordkeeping, and leases and contracts. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Property Valuation Administrator and the Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Engagement fieldwork completed -
October 12, 2005